

# Managing Education Resources During Difficult Times

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Blount County Joint Working Session  
On Education

November 3, 2008



# Where we are and where are we going?

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- ◆ Achievement and Tennessee's place in the changing economy
- ◆ State law and the BEP
- ◆ Fiscal Capacity
- ◆ Maintenance of Local Effort
  - Competition for other local resources
- ◆ The State Economy
  - State support now and going forward
  - Tax Structure

## Part II: Measuring College Readiness

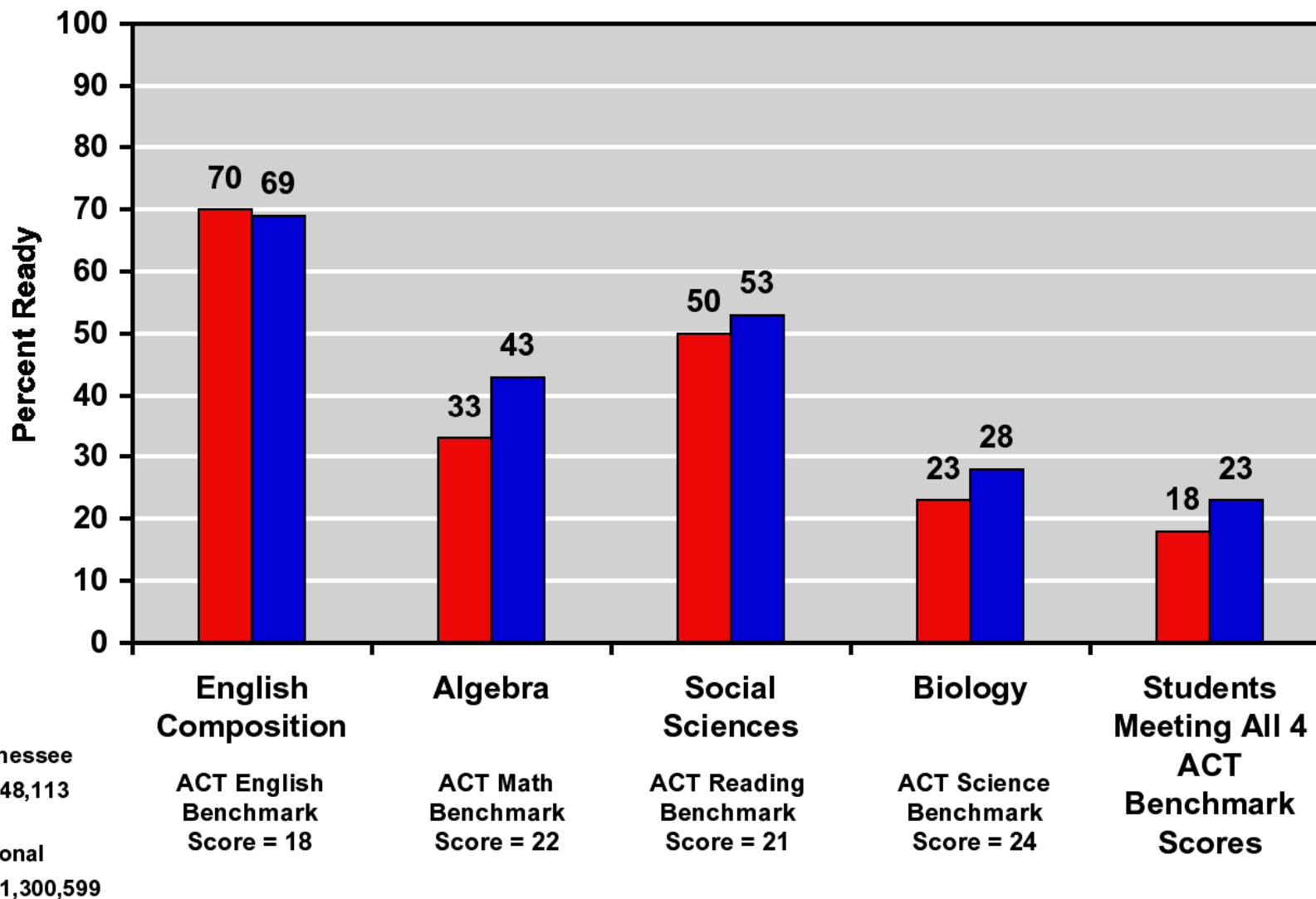
### ◆ ACT College Readiness Benchmark Scores

◆ Through collaborative research with postsecondary institutions nationwide, ACT has established the following College Readiness Benchmark Scores:

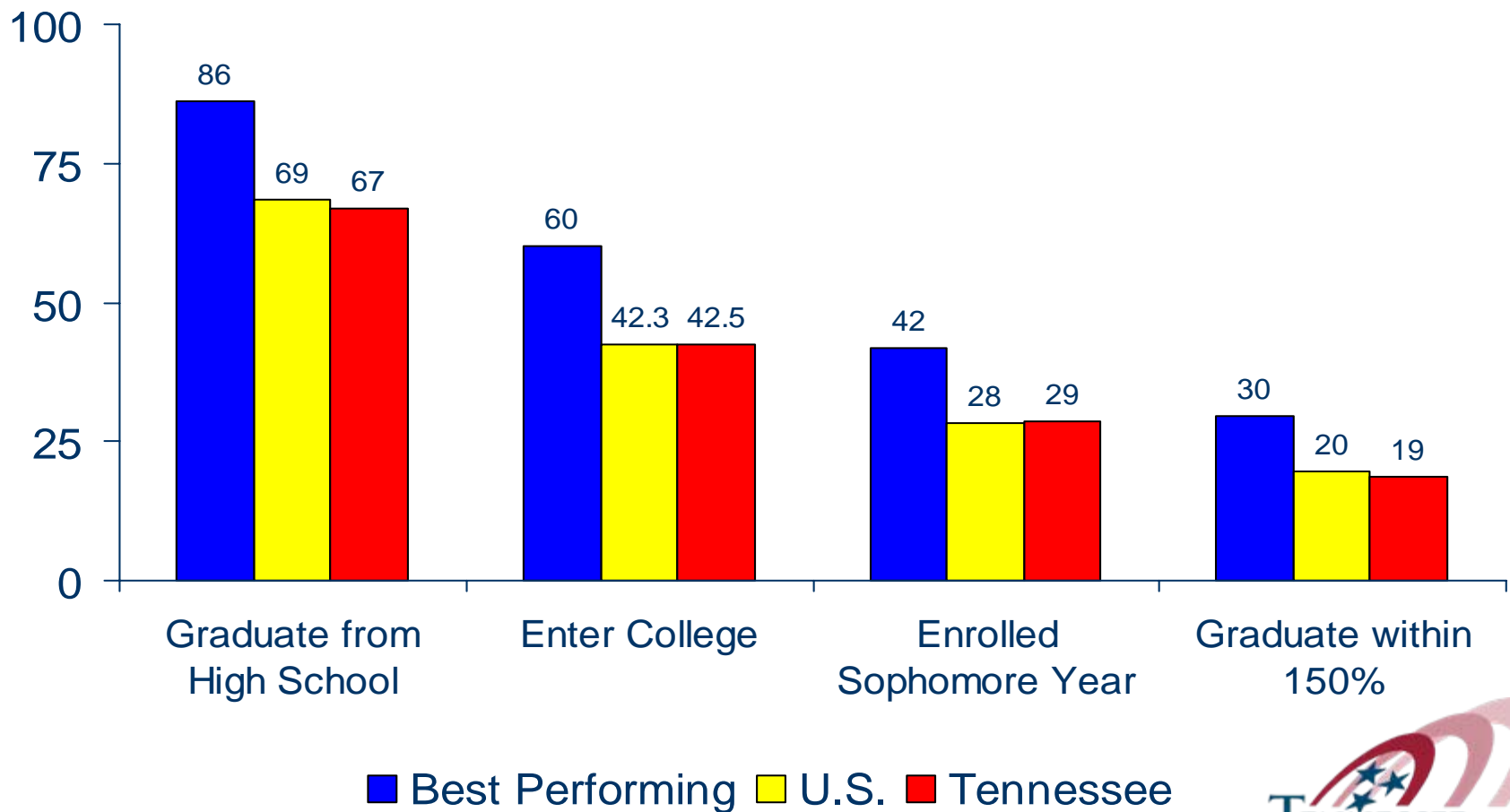
ACT Subject Area Test	College Course(s)	College Readiness Benchmark Score
English	English Composition	18
Math	Algebra	22
Reading	Social Sciences	21
Science	Biology	24

◆ A benchmark score is the minimum score needed on an ACT subject area test to indicate a 50% chance of obtaining a B or higher or about a 75% chance of obtaining a C or higher in the corresponding credit-bearing college courses.

## 2007 Tennessee and National ACT-Tested Graduates Likely to Be Ready for College-Level Work (in percent)



# The Student Pipeline - Tennessee, 2006



# BEP – Then and Now

## BEP (Old Model)

- ◆ 100% TACIR
- ◆ 100% CDF

## BEP 2.0 (currently)

- ◆ 50% TACIR, 50% Fox
- ◆ 50% CDF

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- ◆ \$36,515 Salary Unit Cost
  - ◆ 38.5% At Risk
  - ◆ 1:45 ELL, 1:450 Translators
  - ◆ Instructional 65%

- ◆ \$38,000 Salary Unit Cost
- ◆ 100% At Risk
- ◆ 1:30 ELL, 1:300 Translators
- ◆ Instructional 70%

# TACIR vs. CBER(Fox)

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## TACIR

- ◆ Local Revenue
- ◆ Property
- ◆ Sales
- ◆ Per Capita Income
- ◆ Ratio of Residential & Farm to Total Assessment
- ◆ Ratio of Average Daily Membership to Population
- ◆ Regression analysis

## CBER (Fox)

- ◆ Property Tax Base
- ◆ Sales Tax Base
- ◆ Arithmetic calculation

# CBER (Fox) Model

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- ◆ The new formula determines a county's capacity to raise local revenues for education from the tax bases available to them (property and sales tax base).
- ◆ Will eventually replace the TACIR model.
- ◆ Property tax base – add the equalized, assessed tax bases to the equalized, assessed public utility property and the estimated assessed value of industrial development property.
- ◆ Sales tax base – Actual local sales reported to the TN Department of Revenue.



# CBER (Fox) Model

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- ◆ Each county's fiscal capacity is the sum of:
  - The county's property tax base multiplied by a statewide average property tax rate for education (\$1.27).
  - The county's sales tax base multiplied by a statewide average sales tax rate for education (1.56%).
- ◆ The weighting of the property and sales is based on actual local practice.

# IDB Property Issues

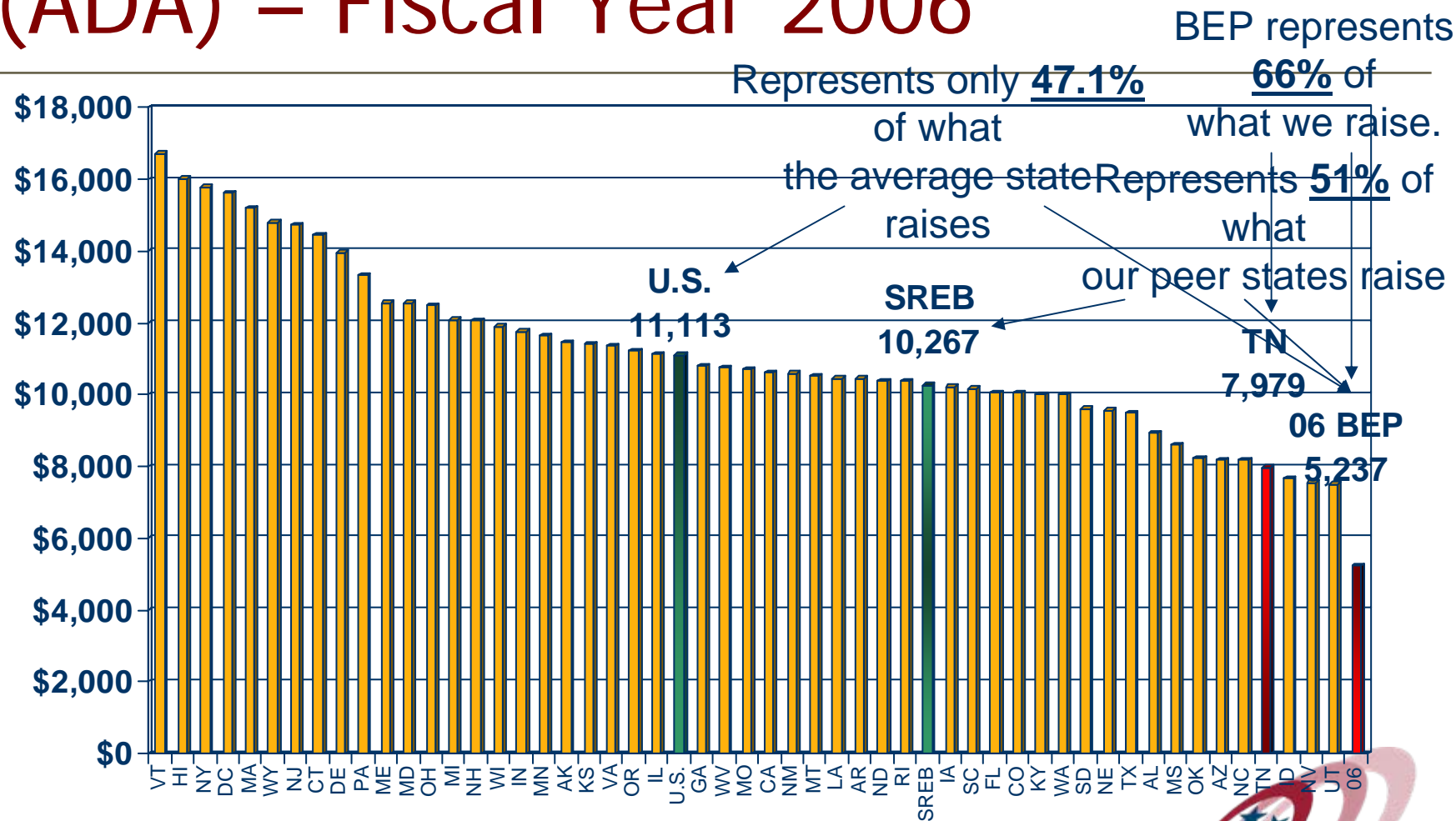
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- ◆ Inclusion has no impact on total state share and total local share of education funding.
- ◆ The decision that one Board makes affects the local ability of ALL OTHER counties in the state.
- ◆ Inclusion (or exclusion) causes shifts in responsibility of the local share from county to county.

# IDB Impact on Selected Systems if PILOT Property Excluded

County/System	Percent Change	Total County Area State \$ Share Change
Maury	5.1%	2,325,000
Madison	2.3%	1,139,000
Carroll (and included SSDs)	2.7% to 2.8%	48,000 to 170,000
Shelby County and Memphis City	.60% and .58%	1,070,000 and 2,669,000
Blount County, Alcoa City, Maryville City	-0.65%, -0.63% and -0.65%	(290,000) and (39,000) and (116,000)
Loudon County and Lenoir City	-.99% and -.98%	(197,000) and (78,000)
Sevier County	-1.1%	(381,000)

# State and Local Revenues Per Pupil (ADA) – Fiscal Year 2006



SOURCE: NEA Rankings & Estimates 2007, Summary Table F-4

FY06 BEP – July Final, ADA data from Table 7B – Annual Statistical Report

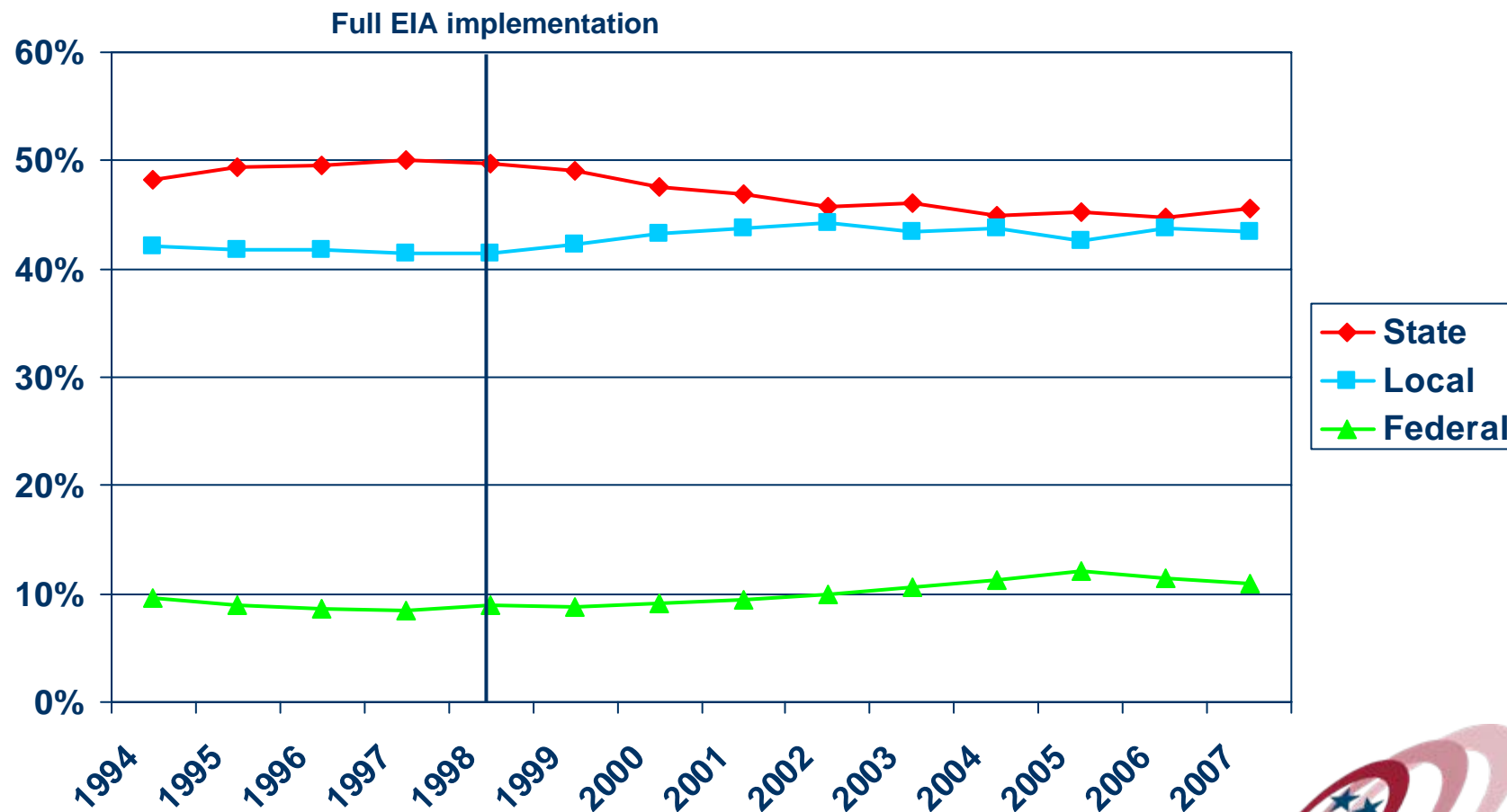
# BEP Implications

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- ◆ If the BEP formula only recognizes 66% of what our school systems believe they need to be successful then the burden is on local governments to raise the rest.
  - Those that can raise money locally, will.
  - Those that cannot, will not. Or, are forced to provide inadequate education.
- ◆ Since we fully implemented the BEP in 1998 the percentage of total education resources provided locally has increased.

# Percent of School Revenues by Governmental Unit

## FY1994 to FY2007



SOURCE: Annual Statistical Reports, FY1994 through FY2006, Table 19, Department of Education

# Finance Implications

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- ◆ 2007 Property tax revenue per pupil at effective \$1.00 tax rate.
  - Anderson County = \$1,031
  - Blount County = \$1,515
  - Grundy County = \$643
  - Knox County = \$1,515
- ◆ 2007 Property tax revenue per capita at effective \$1.00 tax rate.
  - Anderson County = \$171
  - Blount County Schools = \$224
  - Grundy County = \$101
  - Knox County = \$193

# BEP Requirements

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- ◆ Required Local Match as a % of Total BEP
  - Anderson County = 29.5%
  - Blount County = 34.1%
  - Grundy County = 13.2%
  - Knox County = 51.2%
- ◆ Total BEP Generated Per Pupil
  - Anderson County = \$5,776
  - Blount County = \$5,646
  - Grundy County = \$5,980
  - Knox County = \$5,396



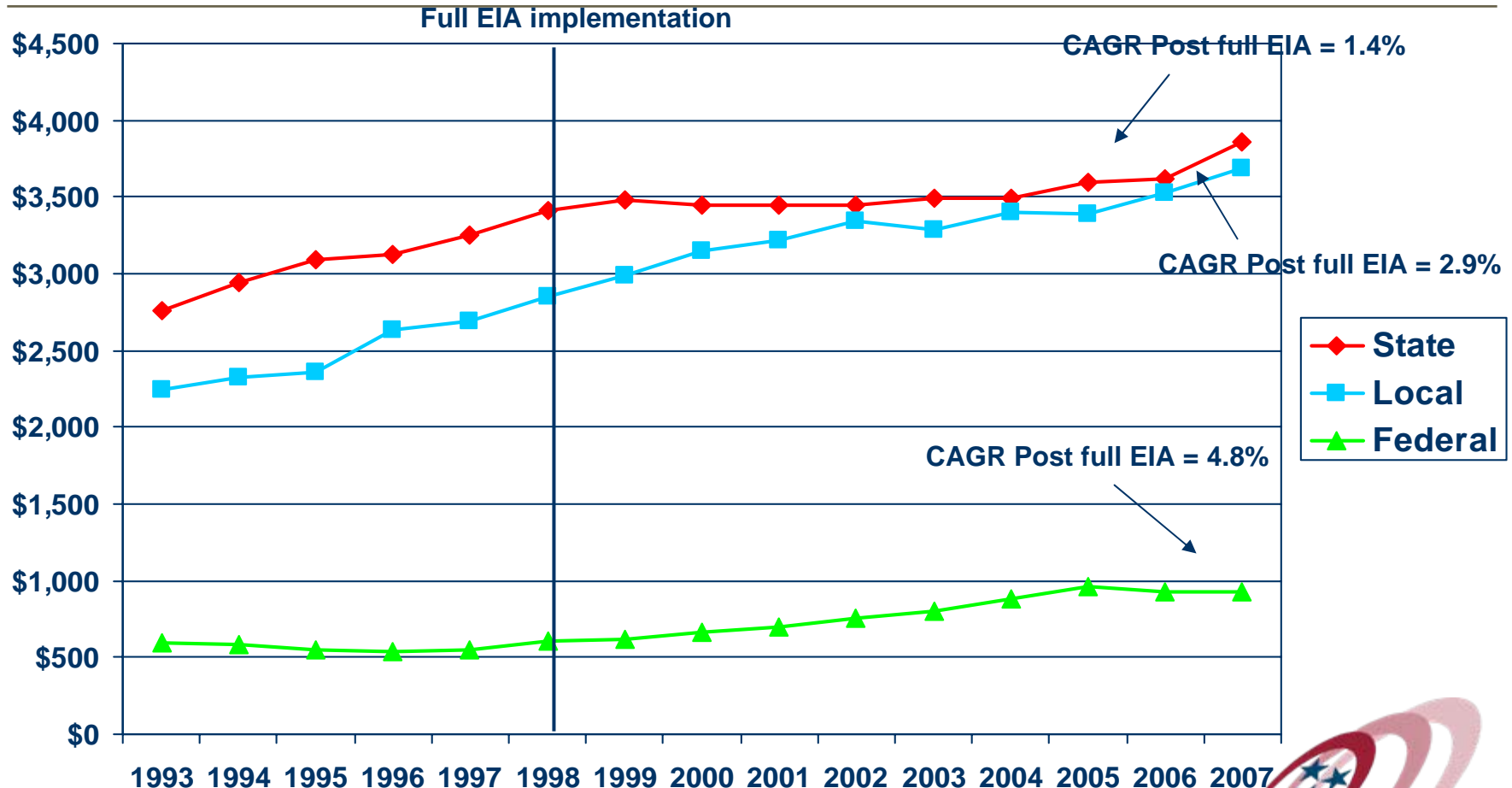
# Funding School Operations

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- ◆ Effective property tax rate to fund BEP mandated local share (Per ADM Sharing taken into account).
  - Anderson County Schools = \$1.88
  - Blount County Schools = \$1.23
  - Grundy County = \$1.24
  - Knox County = \$1.87
- ◆ Effective property tax rate for residential tax payers.
  - Anderson County Schools = \$1.15
  - Blount County Schools = \$0.82
  - Grundy County = \$0.95
  - Knox County = \$1.13

# Per Pupil Dollar Contribution by Governmental Unit

Adjusted for inflation to 2008 dollars



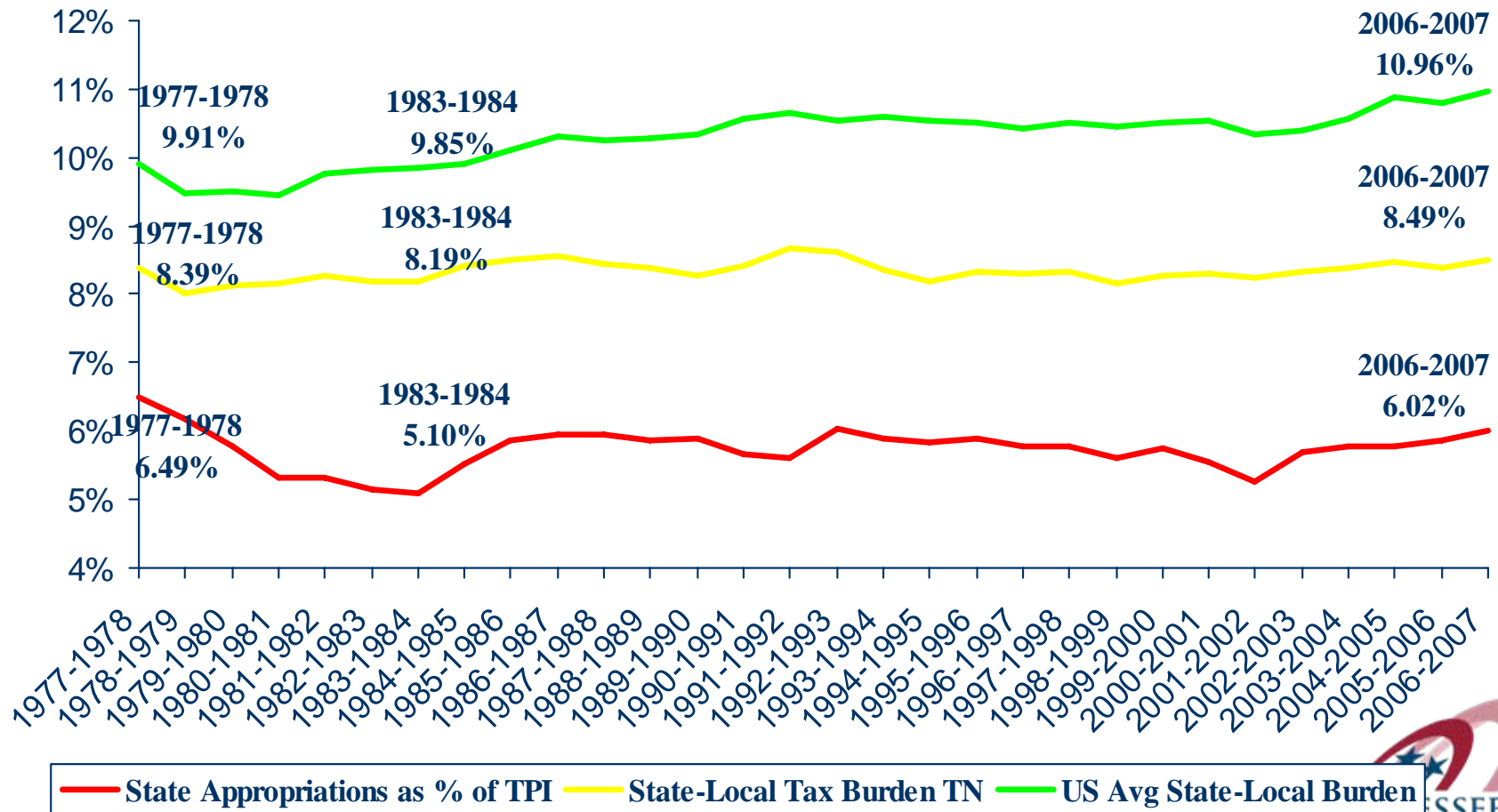
SOURCE: Annual Statistical Reports, FY1994 through FY2007, Table 19, Department of Education  
Table 7A, ADM Counts, Department of Education  
Inflation calculated using Bureau of Labor Statistics, Inflation Calculator

# Competing for Resources

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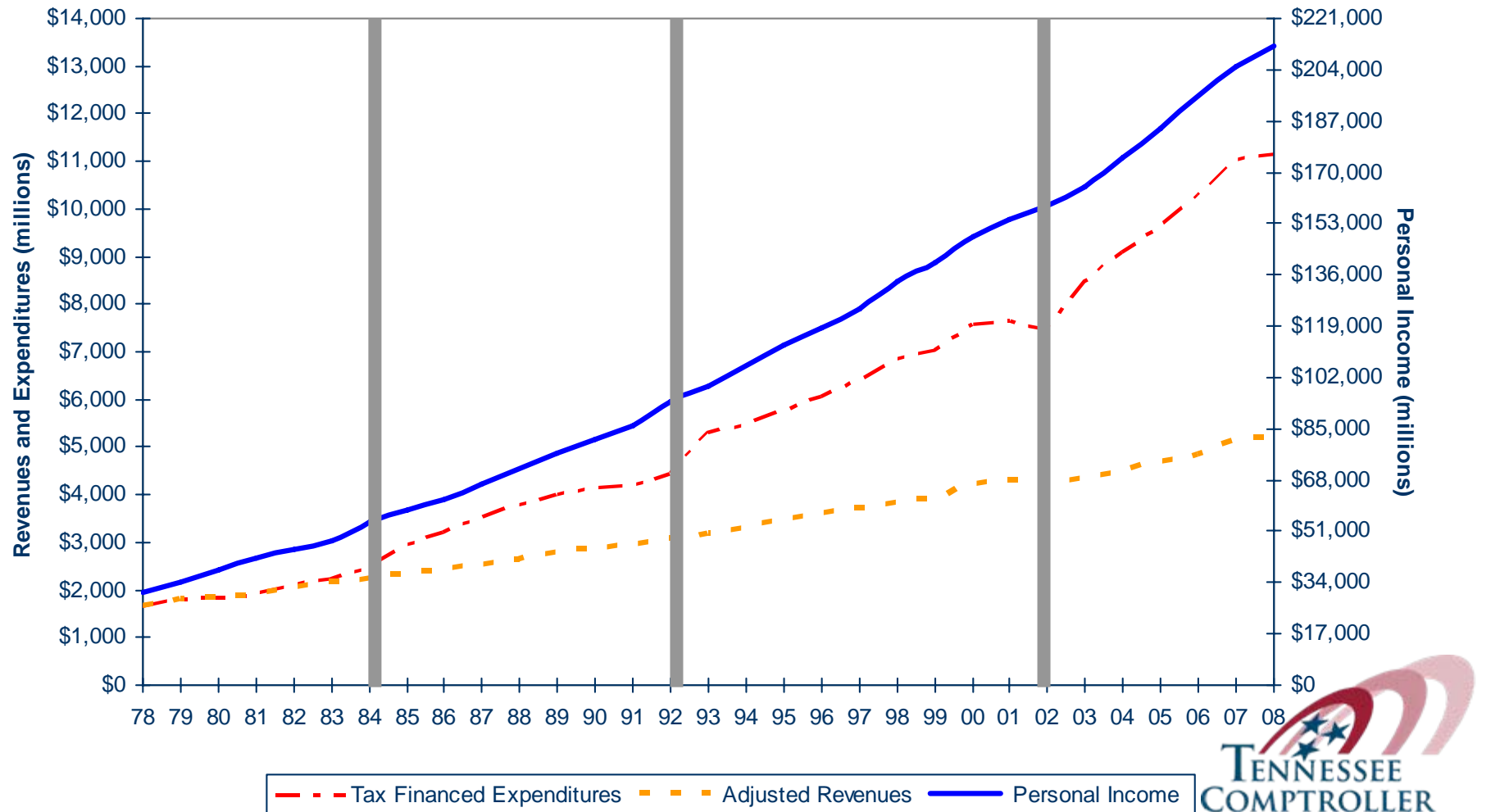
- ◆ Required general government funding obligations create built-in disparity in taxes.
  - Lake County requires approximately a \$0.65 property tax just to cover Constitutionally mandated positions.
  - Blount County only needs a \$0.025 property tax rate.

# Various Tax Burden Measures as a Percent of Personal Income



Source: Bureau of Economic Analysis.

# Revenues and Expenditures in Tennessee, 1978 Base



# Tax Structure

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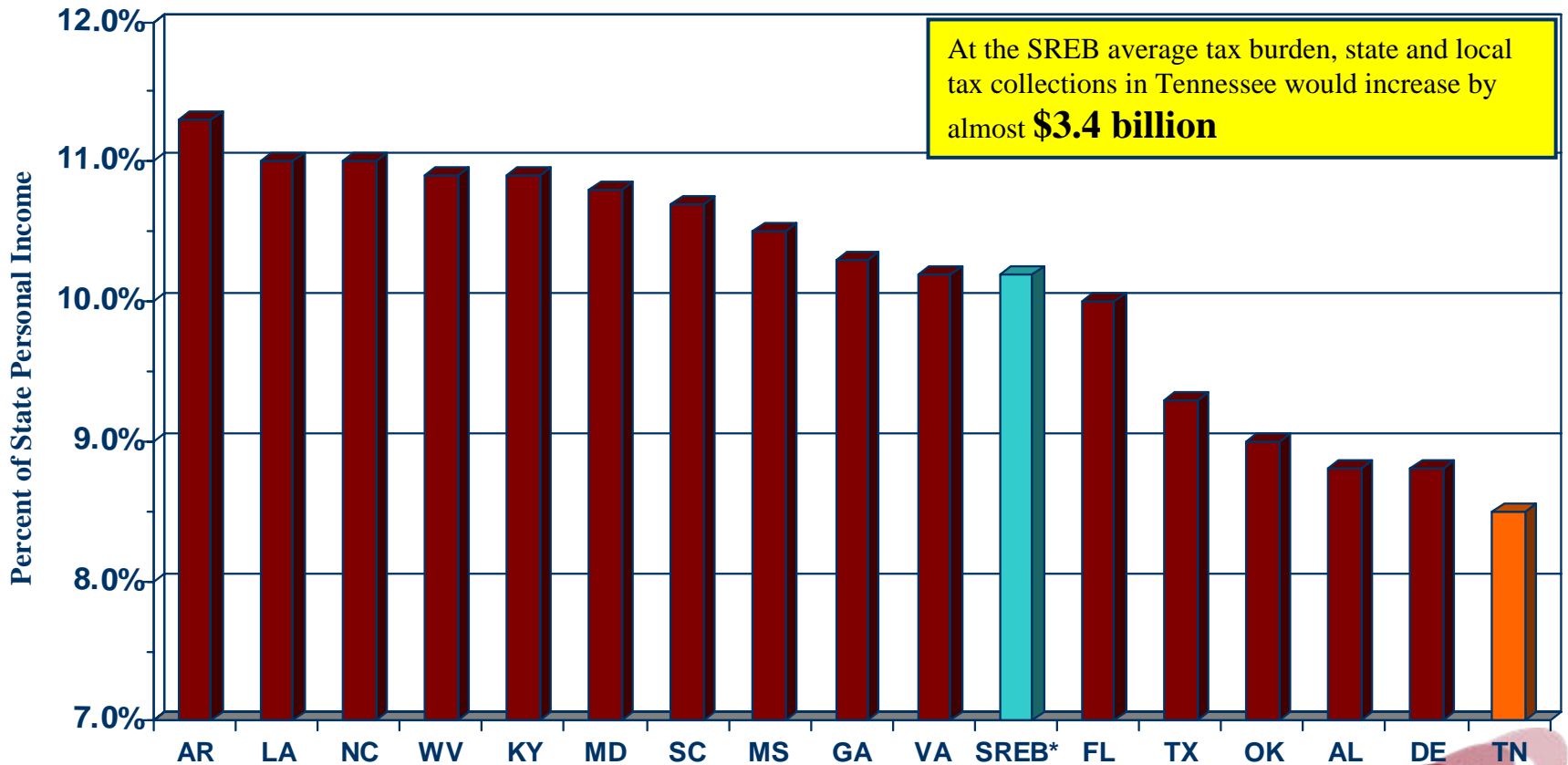
- ◆ Our current tax structure at current rates won't allow the current service level for much longer
- ◆ The convergence of the economic cycle and the exhaustion of the tax structure has reoccurred
- ◆ Governor Bredesen places this year's shortfall at \$300-\$600 million, and
- ◆ This is occurring at a time when...

# At a time when...

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- ◆ ...financial support for education in Tennessee remains way below our peers as well as most other high performing states (and countries!)
- ◆ ...we need to be investing in programs that work and will lead to real improvement.
- ◆ ...globalization is real and here to stay
- ◆ ...more than ever before we must be as efficient as we can be

# 2007 State and Local Tax Burden as Share of Personal Income in the SREB States



\*Average of SREB states excluding Tennessee. The SREB average including Tennessee is 10.1%